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EX PARTE OR LATE FILED

June 27, 2000

[REDACTED]

JUN 27 2000

Ms. Magalie R. Salas
Secretary
Federal Communication Commission
445 12th Street, S.W. - The Portals
Washington, D.C. 20554

Re: **REDACTED — FOR PUBLIC INSPECTION**
Response to June 9, 2000 Request for Further Information
Applications of America Online, Inc. and Time Warner Inc. for Transfers of
Control
CS Docket No. 00-30

Dear Ms. Salas:

America Online, Inc. ("AOL") and Time Warner Inc. (Time Warner) yesterday jointly submitted their narrative response to the June 9, 2000 letter from Ms. To-Quyen Troung, Associate Chief of the Cable Services Bureau, requesting certain documents and information. As set forth in that response, AOL and Time Warner are each submitting documents responsive to the Commission's request. These documents are being provided pursuant to the June 9, 2000 letter, as clarified and modified in our June 16, 2000 procedural meeting with Royce Dickens, Darryl Cooper and Nancy Stevenson of the Cable Services Bureau and Jim Bird of the Office of General Counsel. Documents submitted by AOL are transmitted herewith.

Two copies of all non-confidential documents are included with the version of this cover letter marked "For Public Inspection" for inclusion in the public record in this proceeding. Such documents are stamped "Redacted: For Public Inspection." One copy of all confidential documents is being submitted with the version of this cover letter marked "Confidential: Not for Public Inspection" and is being filed under seal with the FCC Secretary's Office and should not be placed in the public record in this proceeding. Copies of all confidential documents are also being delivered under seal to Royce Dickens and Linda Senecal.

No. of Copies rec'd 071
List A B C D E

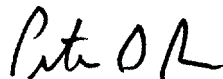
The confidential documents submitted by AOL are marked "Confidential: Not for Public Inspection" and "Copying Prohibited" in accordance with the Protective Order adopted in this proceeding on April 6, 2000 (DA 00-780). Confidential documents which have been redacted in whole are submitted with their titles in place of the actual redacted documents for purpose of our public submission. Finally, certain redactions have been made where portions of submitted documents are not responsive or otherwise material to the Commission's requests.

Pursuant to the terms agreed to in our June 16, 2000 procedural meeting with FCC staff, we have responded to the first production request in Question 1.13 by identifying (from among key AOL officials providing documents to the Federal Trade Commission in connection with its Hart-Scott-Rodino review of this merger) those AOL officials with responsibilities relevant to AOL's involvement in, and analysis of, the IM standard setting process; and searching through the documents produced to the FTC from those key officials to identify documents responsive to the FCC's inquiry. Accordingly, we are providing herewith responsive documents obtained for the FTC production for the following six officials: Barry E. Appelman (Senior Vice President, Technology); David Colburn (President, Business Affairs); David Gang (Senior Vice President, Strategic Development); Jay Rappaport (Vice President, Business Development); Jonathan Sacks (Senior Vice President & General Manager, AOL Interactive Services); and Barry M. Schuler (President, Interactive Services Group). We will be glad to discuss the need for any additional or updated submissions to the Commission in regard to this inquiry. As to the second portion of the document request in Question 1.13, AOL has (as discussed in our separate narrative response) entered into instant messaging licensing agreements with a number of parties, including (among others) Lotus, Lycos, and Novell (copies of which agreements have been previously submitted to the FTC in connection with its merger review).

The remainder of the documents submitted herewith are provided in response to Questions 1.1(c), 1.2(d), 1.3, and 1.14 of the June 9, 2000 letter from Ms. Truong. As discussed, our submission in response to Question 1.5 will be forthcoming shortly.

Please do not hesitate to contact me should you have any questions regarding this letter or the documents produced herewith.

Respectfully submitted,



Peter D. Ross
Counsel for America Online, Inc.

cc w/ Attachment: Royce Dickens, Cable Services Bureau
Linda Senecal, Cable Services Bureau

RECEIVED

JUN 27 2000

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

General Motors Corporation
Offer to Exchange
1.065 Shares of Class H Common Stock
for each share of
 $\$1\frac{2}{3}$ Par Value Common Stock

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, MAY 19, 2000, UNLESS THE EXCHANGE OFFER IS EXTENDED.

General Motors will issue 1.065 shares of Class H common stock for each share of $\$1\frac{2}{3}$ par value common stock that is validly tendered and accepted by GM in the exchange offer. GM will accept up to 86,396,977 shares of $\$1\frac{2}{3}$ par value common stock in the aggregate and will issue up to a total of 92,012,781 shares of Class H common stock in the exchange offer. If more than 86,396,977 shares of $\$1\frac{2}{3}$ par value common stock are validly tendered, GM will accept shares for exchange on a pro rata basis as described in this document.

The terms and conditions of the exchange offer are described in this document, which you should read carefully. None of GM, Hughes, the exchange agent, the information agent, the dealer manager or the marketing manager or any of their officers or directors makes any recommendation as to whether or not you should tender your shares of $\$1\frac{2}{3}$ par value common stock in the exchange offer. You must make your own decision after reading this document and consulting with your advisors based on your own financial position and requirements.

This is an offering of Class H common stock in exchange for $\$1\frac{2}{3}$ par value common stock. Class H common stock is a "tracking stock" of GM designed to provide holders with financial returns based on the financial performance of Hughes, which is a wholly-owned subsidiary of GM. GM's Class H common stock is listed on the New York Stock Exchange under the symbol "GMH."

All persons holding $\$1\frac{2}{3}$ par value common stock are eligible to participate in the exchange offer if they tender their shares in a jurisdiction where the exchange offer is permitted under local law.

Investing in the Class H common stock involves risks. See "Risk Factors" beginning on page 22.

Salomon Smith Barney is the Marketing Manager for Hughes Electronics Corporation in the exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this document is truthful or complete. Any representation to the contrary is a criminal offense.

GM has retained the services of Morrow & Co., Inc. as information agent to assist you in connection with the exchange offer. You may call Morrow to request additional documents and to ask any questions at (877) 816-5329 (toll free) in the United States or at (212) 754-8000 (collect) elsewhere.

The Dealer Manager for the exchange offer is:

MORGAN STANLEY DEAN WITTER

Offering Circular-Prospectus dated April 24, 2000

AOL 000001

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You should rely only on the information contained in this document. We have not authorized anyone to provide you with information different from that contained in this document. We are offering to sell, and seeking offers to buy, the securities offered by this document only in jurisdictions where offers and sales are permitted under the laws of those jurisdictions. The information contained in this document is accurate only as of the date of this document regardless of the time of delivery or of any sale of the securities offered by this document.

This document incorporates by reference important business, financial and other information about General Motors and Hughes that is not included in or delivered with this document. See "Where You Can Find More Information" on page 140 for a list of the documents that General Motors and Hughes have incorporated by reference into this document.

Documents incorporated by reference are available from GM without charge, excluding all exhibits unless specifically incorporated by reference as exhibits in this document. You may obtain some of the documents incorporated by reference in this document at GM's Internet World Wide Web site, "<http://www.gm.com>" and selecting "The Company" and then selecting "Investor Information." Written and telephone requests for any of these documents should be directed to us as indicated below:

Written requests for documents:

GM Fulfillment Center
MC 480-000-FC1
30200 Stephenson Hwy.
Madison Heights, MI 48071
Telephone: (313) 667-1500

Telephone requests for documents:

(313) 667-1500
Select Menu Option #2

If you would like to request copies of these documents, please do so by May 12, 2000 in order to receive them before the expiration of the exchange offer. In the event that the exchange offer period is extended by GM, you must submit your request no later than five business days before the expiration date, as extended by GM.

AIReach®, DirecDuo™, DirecPC®, DIRECTV®, DIRECTV Para Todos™, DirecWay™, Galaxy®, NET/36™, PRIMESTAR®, Spaceway™, SPOTbytes® and U.S. Satellite Broadcasting® are trademarks of Hughes Electronics Corporation or its subsidiaries. All other trademarks are properties of their respective owners.

Class H Common Stock

General Motors has two classes of common stock:

- \$1²/₃ par value common stock; and
- Class H common stock.

GM's Class H common stock is a "tracking stock" designed to provide holders with financial returns based on the financial performance of Hughes. However, because Class H common stock is a common stock of GM, in the event of a GM liquidation, insolvency or similar event, Class H stockholders would have no direct claim against the assets of Hughes. Rather, Class H stockholders would only have rights in the assets of GM as common stockholders of GM.

We determine the earnings per share and the amounts available for the payment of dividends on the Class H common stock by a fraction which reflects the portion of Hughes' earnings that is allocated to the Class H common stock. We sometimes refer to this fraction as the "Class H fraction." The numerator and denominator of the Class H fraction are determined at the end of each quarter, as follows:

- The numerator of the Class H fraction is the weighted average number of shares of Class H common stock outstanding during the applicable period.
- The denominator of the Class H fraction is the notional number of shares of Class H common stock which, if outstanding, would represent 100% of the tracking stock interest in the earnings of Hughes.

We sometimes refer to the denominator of the Class H fraction as the "Class H dividend base." The Class H dividend base can be adjusted by the GM board of directors in specified circumstances, including to reflect contributions by GM to Hughes.

The issuance of shares of Class H common stock in the exchange offer and the contributions to the employee benefit plans will increase the numerator of the Class H fraction without changing the denominator. Accordingly, such issuances will increase the portion of Hughes' earnings that is allocable to the Class H common stock and will reduce the portion that is allocable to the \$1²/₃ par value common stock for purposes of determining earnings per share and amounts available for the payment of dividends. Assuming that the exchange offer is fully subscribed and that the contributions to the employee benefit plans are made as anticipated, the combined effect of these transactions would be to increase the tracking stock interest in Hughes' earnings represented by Class H common stock from about 38% to 73%, with a corresponding reduction of the portion of Hughes' earnings attributable to \$1²/₃ par value common stock from about 62% to 27%. These percentages are provided for illustrative purposes only and are based on certain assumptions which we describe elsewhere in this document. For more information, see "Description of Class H Common Stock—Detailed Calculation of Amount Available for Dividends on Class H Common Stock—Illustrative Calculation of Class H Fraction Following the Exchange Offer and the Contributions to the Employee Benefit Plans." Because the earnings of Hughes allocable to Class H common stock will increase proportionately with the increase in the number of shares of Class H common stock outstanding, these issuances will not dilute the earnings per share attributable to the Class H common stock.

The payment of dividends on Class H common stock is determined by GM's board of directors. Since the completion in 1997 of a series of transactions that involved a restructuring of the predecessor of Hughes, which we sometimes refer to in this document as the "Hughes restructuring transactions," no dividends have been paid on the Class H common stock. We do not currently expect to pay dividends on the Class H common stock in the foreseeable future.

Terms of the Exchange Offer

Terms of the exchange offer

(see page 38)

We are offering to exchange 1.065 shares of Class H common stock for each share of \$1²/₃ par value common stock validly tendered in the exchange offer, up to a maximum of 86,396,977 shares of \$1²/₃ par value common stock to be accepted, representing about 14% of the total outstanding \$1²/₃ par value common stock as of March 31, 2000, and 92,012,781 shares of Class H common stock to be issued. This is a voluntary exchange offer, which means that you may tender all, some or none of your shares of \$1²/₃ par value common stock in the exchange offer.

All shares of \$1²/₃ par value common stock validly tendered and not withdrawn and accepted by GM will be exchanged at the exchange ratio, on the terms and subject to the conditions of the exchange offer, including the proration provisions. The terms and conditions of the exchange offer are described in this document, the letter of transmittal and the instructions to the letter of transmittal. We will promptly return in book-entry form any shares of \$1²/₃ par value common stock not accepted by GM for exchange following the expiration of the exchange offer and determination of the final proration factor.

Expiration date; extension;

termination (see pages 38

and 44 to 45)

The exchange offer and withdrawal rights will expire at 12:00 midnight, New York City time, on Friday, May 19, 2000, unless GM extends the exchange offer. You must validly tender your shares of \$1²/₃ par value common stock so that they are received by the exchange agent prior to this date if you wish to participate in the exchange offer. We may also terminate the exchange offer in the circumstances described on page 45.

Proration; odd-lots (see pages 38

to 39)

If more than 86,396,977 shares of \$1²/₃ par value common stock are tendered, we will accept all shares validly tendered on a pro rata basis. We will announce any preliminary proration factor by press release promptly after the exchange offer expires. We expect to announce any final proration factor within about seven business days after the expiration date.

If you hold fewer than 100 shares of \$1²/₃ par value common stock, and tender all of these shares for exchange, all of your shares will be accepted for exchange without proration if the exchange offer is completed. Shares you own through a GM or GM affiliated savings plan are not eligible for this preferential treatment.

Withdrawal rights

(see pages 43 to 44)

You may withdraw tenders of your shares of \$1²/₃ par value common stock at any time before the exchange offer expires and at other times under certain circumstances. If you change your mind prior to the expiration of the exchange offer, you may retender your shares of \$1²/₃ par value common stock by following the tender procedures again and retendering prior to the expiration date.

Conditions for completion of the
exchange offer (see pages 45 to
47)

The exchange offer is subject to various conditions, including the condition that at least 28,798,992 shares of \$1²/₃ par value common stock are validly tendered and not withdrawn, which must be satisfied in order for us to be obligated to complete the exchange offer. GM may at any time waive any or all of the conditions to the exchange offer.

No fractional shares (see page 39)

No fractional shares of Class H common stock will be issued in the exchange offer. If you would otherwise be entitled to receive a fractional share of Class H common stock, you will be paid cash for the fractional share.

Procedures for tendering shares of
\$1²/₃ par value common stock
(see pages 40 to 42)

If you hold certificates representing your shares of \$1²/₃ par value common stock, you must complete and sign the letter of transmittal designating the number of shares of \$1²/₃ par value common stock you wish to tender. Send the letter of transmittal, together with your \$1²/₃ par value common stock certificates and any other documents required by the letter of transmittal and the instructions to the letter of transmittal, by registered mail, return receipt requested, so that it is received by the exchange agent at the applicable address set forth on the back cover of this document before the expiration of the exchange offer.

If you hold shares of \$1²/₃ par value common stock through a broker, you should receive instructions from your broker on how to participate. You will not need to complete the letter of transmittal. Please contact your broker directly if you have not yet received instructions. Some financial institutions may also effect tenders by book-entry transfer through The Depository Trust Company.

If you hold certificates for shares of \$1²/₃ par value common stock or if you hold shares of \$1²/₃ par value common stock through a broker, you may also comply with the procedures for guaranteed delivery.

If you hold shares of \$1²/₃ par value common stock in book-entry form through the direct registration system, you should send the executed letter of transmittal indicating the number of shares to be tendered to the exchange agent by registered mail, return receipt requested, so that it is received by the exchange agent at the applicable address set forth on the back cover of this document before the expiration of the exchange offer.

If you participate in a GM or a GM affiliated company savings plan listed on page 41, you will receive separate instructions from the plan trustees or administrator of the plan regarding how to tender these shares. You should follow those instructions, and you should not use the letter of transmittal to tender your shares held under any of these plans.

Delivery of shares of Class H
common stock (see pages 39 and
44)

We will deliver shares of Class H common stock issued in the exchange offer by book-entry transfer and cash instead of fractional shares as soon as reasonably practicable after the expiration of the exchange offer, acceptance of shares of \$1²/₃ par value common stock for exchange and determination of any proration factor.

Comparative per share market price
information (see pages
54 and 55)

Shares of \$1²/₃ par value common stock and Class H common stock are currently listed and traded on the NYSE. GM's \$1²/₃ par value common stock is traded under the symbol "GM," and GM's Class H common stock is traded under the symbol "GMH."

On January 31, 2000, the last trading day before the public announcement of the exchange offer, the closing trading price of \$1²/₃ par value common stock on the NYSE composite tape was \$80.56, and the closing trading price of Class H common stock was \$112.50. Throughout this document, we refer to the closing price reported on the NYSE composite tape on any given day as the "closing trading price" for that day.

On April 19, 2000 the second to last trading day before the start of the exchange offer, the closing trading price of \$1²/₃ par value common stock was \$88.50, and the closing trading price of Class H common stock was \$97.81.

U.S. federal income tax consequences
(see page 136)

We currently anticipate receiving a tax opinion from Kirkland & Ellis to the effect that, for U.S. federal income tax purposes, the exchange of Class H common stock for \$1²/₃ par value common stock pursuant to the exchange offer will be tax-free to GM and, except in connection with cash received instead of fractional shares, to \$1²/₃ par value stockholders who participate in the exchange offer. **Each \$1²/₃ par value stockholder should consult his or her tax advisor as to the particular tax consequences of the exchange offer to him or her.**

IRS regulations require that, if you participate in the exchange offer, you include certain information in your U.S. federal income tax return for the year in which the exchange offer occurs. GM will provide this information to you after the exchange offer is completed.

No appraisal rights

No appraisal rights are available to stockholders of GM in connection with the exchange offer.

Exchange agent

Fleet National Bank

Information agent

Morrow & Co., Inc.

Dealer manager

Morgan Stanley Dean Witter

| | |
|--|--|
| Marketing manager for Hughes | Salomon Smith Barney |
| Risk factors (see pages 22 to 31) | You should read and consider carefully the matters described under the caption "Risk Factors," as well as the other information set forth in this document, before deciding whether to participate in the exchange offer. |
| Determining whether to participate in the exchange offer | <p>None of General Motors, Hughes, the exchange agent, the information agent, the dealer manager, the marketing manager or any of their respective officers or directors makes any recommendation as to whether you should tender your shares of \1\frac{2}{3}$ par value common stock in the exchange offer. You must make your own decision regarding whether to tender and, if so, how many shares to tender after reading this document and the related documents and consulting with your advisors based on your own financial position and requirements and any other relevant considerations.</p> <p>We urge you to read this document and the accompanying documents very carefully.</p> |
| Regulatory issues | In order to complete the exchange offer, we must make certain filings and notifications and receive certain authorizations or exemptions from governmental agencies regulating securities law issues in foreign jurisdictions. We believe that no material foreign regulatory requirements remain to be complied with, and no further material approvals must be obtained. |
| Legal limitation | We are not making any offer to sell, nor are we soliciting any offer to buy, stock in any jurisdiction in which the offer or sale is not permitted. |

Risk Factors Relating to GM's Dual-Class Common Stock Capital Structure

Class H Stockholders Do Not Have Any Claims on the Assets of Hughes

Class H stockholders are common stockholders of General Motors and, as a result, have rights in the equity and assets of GM rather than of Hughes. Although the net income of Hughes is allocated for accounting purposes to calculate the amounts which may be used to pay dividends on each class of GM common stock, this allocation does not result in a physical segregation of the assets of GM or Hughes, or the establishment of separate accounts or dividend or liquidation preferences. If a liquidation, insolvency or similar event occurred with respect to Hughes, creditors of Hughes, as well as GM as the sole stockholder of Hughes, would receive payment from the assets of Hughes. The holders of Class H common stock would not be entitled to any payment from the assets of Hughes.

We Cannot Assure You That Cash Dividends Will Ever Be Paid on the Class H Common Stock

We cannot assure you that cash dividends will ever be paid on the Class H common stock. If you wish to receive a dividend, Class H common stock may not be an appropriate investment for you. Unlike the \$1 ²/₃ par value common stock, cash dividends are not currently paid on the Class H common stock. Since the completion of the Hughes restructuring transactions in late 1997, the GM board has not paid cash dividends on the Class H common stock. Further, the GM board does not currently intend to pay dividends on the Class H common stock in the foreseeable future. Similarly, since that time, Hughes has not paid dividends to GM on its common stock held by GM and does not intend to do so in the foreseeable future. Future earnings of Hughes are expected to be retained for the development of the business of Hughes. The GM board reserves the right to reconsider from time to time its policies and practices regarding dividends on the Class H common stock and to pay or not to pay, or increase or decrease the dividends paid on the Class H common stock, if any, on the basis of GM's consolidated financial position, including liquidity and other factors, such as the earnings and consolidated results of operations and financial condition of Hughes.

The Interests of GM's \$1²/₃ Par Value Stockholders May Conflict with the Interests of Class H Stockholders

The holders of Class H common stock may have different interests than the holders of \$1²/₃ par value common stock with respect to various intercompany transactions and other matters, and we cannot assure you as to how any conflicts between these interests will be resolved. Under Delaware law, the GM board owes fiduciary duties to all holders of GM common stock, regardless of class, and must act with due care and on an informed basis in the best interests of GM and all of its common stockholders. In carrying out their fiduciary duties to all of GM's stockholders, the officers and directors of GM may make decisions and pursue policies or transactions that are different from those that they would make or pursue if the Class H common stock were the only class of common stock of GM. The GM board, in the discharge of its fiduciary duties, oversees, principally through its capital stock committee, the policies, programs and practices of GM which may give rise to conflicts of interest between GM's two classes of common stock.

Class H Stockholders Will Be Common Stockholders of GM and Will Be Subject to the Risks of an Investment in GM

We cannot assure you that the market value of the Class H common stock will reflect the performance of Hughes as we intend. Class H stockholders will continue to be common stockholders of GM and, as such, will be subject to all risks of an investment in GM and all of its businesses, assets and liabilities.

The Trading Price of Class H Common Stock Could Be Adversely Affected by GM's Results

If GM were to experience a significant financial or other setback, this could have an adverse effect on the trading price of the Class H common stock as well as the \$1²/₃ par value common stock. The trading prices of the Class H common stock and the \$1²/₃ par value common stock are generally affected by different events. A transaction which is beneficial to the holders of \$1²/₃ par value common stock may not positively affect the

Also on March 13, 2000, GM announced its intention to repurchase for cash an additional \$1.4 billion of \$1²/₃ par value common stock. GM currently expects to complete this stock repurchase program by the end of 2000. At the same time, GM announced its decision to increase the amount of Class H common stock to be issued in this exchange offer from \$8 billion to \$9 billion, assuming it is fully subscribed. Both of these actions are designed to offset, in part, the effect of the issuance of \$1²/₃ par value common stock to Fiat in connection with the strategic alliance.

GM Preferred Stock

GM's certificate of incorporation authorizes the GM board of directors to issue shares of preferred stock from time to time in distinctly designated series, with each series ranking equally and identical in all respects except as to the dividend rate and redemption price. There are currently no outstanding shares of preferred stock and GM's board of directors has no current intent to issue any preferred stock.

If any preferred stock were issued, it would rank senior to preference stock and common stock with respect to payments of dividends and distributions in liquidation. Further, no cash dividends could be paid on any class of common stock or any series of preference stock if current assets of GM in excess of its current liabilities were less than \$75 per share of any outstanding preferred stock.

If any shares of preferred stock were issued, holders of such shares would not be entitled to vote except that:

- they would vote together with the holders of common stock on the disposition of GM's assets as an entirety;
- if GM has defaulted in paying dividends on preferred stock for six months, the holders of preferred stock, voting as a class, would be entitled to elect one-quarter of the directors; and
- certain mortgaging or pledging of, or the placing of certain liens upon, GM's property would require the approval of the holders of three-fourths of any outstanding preferred stock.

Preference Stock

GM's certificate of incorporation authorizes the GM board to issue shares of preference stock from time to time in distinctly designated series, with the terms of each series fixed by GM's board in the resolutions providing for the issuance of such series. GM's preference stock ranks senior to its common stock and junior to its preferred stock, if any, with respect to payments of dividends and distributions in liquidation.

GM currently has three series of preference stock outstanding:

- Series D 7.92% preference stock;
- Series G 9.12% preference stock; and
- Series H 6.25% automatically convertible preference stock.

The Series D and Series G preference shares are represented by Series D and Series G depositary shares, respectively, which are listed on the NYSE.

Shares of GM's Series H 6.25% automatically convertible preference stock were issued to AOL in June 1999 in connection with AOL's \$1.5 billion investment in and its strategic alliance with Hughes. AOL currently holds all of the outstanding Series H preference shares. The Series H preference shares will automatically convert into shares of Class H common stock on June 24, 2002, unless previously converted, as described further below

at "—Conversion." In connection with its issuance of the Series H preference shares to AOL, Hughes has issued to GM shares of its Series A preferred stock, which is designed to correspond to the financial terms of the Series H preference shares. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of Hughes—General."

Dividends

Subject to the rights of the holders of preferred stock, if any were outstanding, dividends will be paid on the outstanding Series D, Series G and Series H preference shares when, as and if declared by GM's board out of GM's assets legally available for the payment of dividends. Dividends may be subject to restrictions contained in any future debt agreements of General Motors and to limitations contained in future series or classes of preferred stock or preference stock.

Holders of preference shares are entitled to dividends as follows:

- holders of Series D preference shares are entitled to receive cumulative cash dividends, at the annual rate of 7.92% of the per share stated value, which is equivalent to \$7.92 per annum per Series D preference share;
- holders of Series G preference shares are entitled to receive cumulative cash dividends, at the annual rate of 9.12% of the per share stated value, which is equivalent to \$9.12 per annum per Series G preference share; and
- holders of Series H preference shares are entitled to receive cumulative cash dividends, at an annual rate of 6.25% of the per share stated value, which is equivalent to \$35.1172 per annum per Series H preference share.

Dividends on the Series D, Series G and Series H preference shares are payable quarterly for each of the quarters ending March, June, September and December of each year, payable in arrears on the first day that is not a legal holiday of each succeeding May, August, November and February, respectively. Each such dividend will be paid to holders of record on each record date, which is a day not less than 10 nor more than 50 days preceding the payment date fixed by GM's board. Dividends on the Series D, Series G and Series H preference shares, whether or not declared, are cumulative from the respective dates of original issue of the Series D, Series G and Series H preference shares. The amount of dividends payable for any period shorter than a full quarterly dividend period will be determined on the basis of a 360-day year consisting of twelve 30-day months. Accrued but unpaid dividends do not bear interest.

Preferential dividends accrue whether or not General Motors has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared. Dividends accumulate to the extent they are not paid on the dividend payment date following the calendar quarter for which they accrue. Accumulated preferential dividends do not bear interest. Unless the full preferred dividends accumulated on all outstanding Series D, Series G and Series H preference shares have been paid, GM may not:

- pay dividends on any class of its common stock or other stock ranking junior to the Series D, Series G and Series H preference shares, other than a dividend payable in shares of any class of common stock; or
- redeem, repurchase or otherwise acquire any shares of its common stock or other stock ranking junior to the Series D, Series G and Series H preference shares, other than a redemption or purchase of shares of common stock made in connection with employee incentive or benefit plans of General Motors or its subsidiaries.

Dividends will not be declared on any series of preference stock for any prior dividend payment period unless there shall have been declared on all outstanding shares of preference stock ranking on a parity with such series, in respect of all dividend payment periods of such parity stock terminating with or before such prior dividend payment period, like proportionate dividends determined ratably in proportion to the respective preferential dividends accumulated to date on such series and the dividends accumulated on all such outstanding parity preference stock.

Conversion

The Series D and Series G preference shares are not convertible into shares of any other class of capital stock of General Motors.

The Series H preference shares are convertible into shares of Class H common stock. The Series H preference shares will automatically convert into shares of Class H common stock on June 24, 2002, the mandatory conversion date, based on a variable conversion factor linked to the Class H common stock price at the time of conversion, unless they have been converted earlier. Depending on the average closing trading price of Class H common stock during the 20 trading days prior to the mandatory conversion date, the Series H preference shares would convert into between 21,529,255 and 26,696,330 shares of Class H common stock on the mandatory conversion date. The Series H preference shares are also currently convertible at the option of the holder into 21,529,255 million shares of Class H common stock.

We currently expect that, upon either mandatory or optional conversion of the Series H preference shares, the Class H dividend base will be adjusted so that it will be increased by the number of shares of Class H common stock issued to the holder of the Series H preference shares pursuant to the conversion. For more information, see "Description of Class H Common Stock—GM Certificate of Incorporation Provisions Regarding Dividends—Class H Dividend Base Adjustments." The Series H preference shares and the underlying Class H common stock are subject to transfer restrictions. See "Shares Eligible for Future Sale."

Redemption

In March 2000, GM issued notice of the redemption of all of the outstanding Series D preference shares and the related Series D depositary shares. The redemption of these shares will occur on May 2, 2000. GM will redeem the Series D preference shares at a price of \$100 per share, plus accrued and unpaid dividends to and including the redemption date, for a total redemption price of \$100.72 per Series D preference share, with the depositary shares being redeemed at a price of \$25 per depositary share, plus accrued and unpaid dividends to and including the redemption date, for a total redemption price of \$25.18 per depositary share.

On or after January 1, 2001, General Motors may, at its option, on not less than 35 nor more than 60 days notice, redeem the Series G preference shares, as a whole or in part, at any time or from time to time, for cash in an amount equal to \$100 per Series G preference share, as applicable, plus an amount equal to all dividends accrued and unpaid thereon to the date fixed for redemption. If less than all of the outstanding shares of the Series G preference shares are to be redeemed, shares to be redeemed will be selected by General Motors by lot or pro rata or by any other method determined by General Motors in its sole discretion to be equitable. Holders of Series G preference shares have no right to require redemption of such shares.

The Series H preference shares are redeemable by GM or Hughes in certain limited circumstances generally involving changes in the U.S. law relating to income taxation. Depending on the circumstances giving rise to the redemption, the redemption price may be paid in cash, shares of Class H common stock, shares of Hughes common stock or by exchange of each Series H preference share for a share of automatically convertible preference stock of Hughes convertible into Hughes common stock.

Liquidation Preference

In the event of the liquidation, dissolution or winding up of the business of General Motors, whether voluntary or involuntary, the holders of Series D, Series G and Series H preference shares would be entitled to the liquidation preference described below, after the holders of preferred stock, if any were outstanding, received the full preferential amounts to which they are entitled and before any distribution to holders of common stock.

The liquidation preferences of the preference shares are as follows:

- the holders of the Series D and Series G preference shares would be entitled to receive for each share \$100, plus an amount equal to all dividends accrued and unpaid thereon to the date of final distribution to such holders; and
- the holders of Series H preference shares would be entitled to receive for each share \$561.875, plus an amount equal to all dividends accrued and unpaid thereon to the date of final distribution to such holders.

subject to the right of the holders of record of any Series D, Series G or Series H preference share on a record date for payment of dividends thereon to receive a dividend payable on the date of final distribution, but such holders shall not be entitled to any further payment.

If there are insufficient assets to permit full payment to holders of the Series D, Series G and Series H preference shares and the holders of all other series of preference stock on parity with the Series D, Series G and Series H preference shares as to liquidation rights, then the holders of the Series D, Series G and Series H preference shares and such other shares shall be paid ratably in proportion to the full distributable amounts to which holders of all such parity shares are respectively entitled upon such dissolution, liquidation or winding up.

Voting

The Series D, Series G and Series H preference shares do not entitle holders thereof to voting rights, except:

- with respect to any amendment or alteration of any provision of the GM certificate of incorporation which would adversely affect the powers, preference or special rights of the Series D, Series G or Series H preference shares, which requires the prior approval of the holders of at least two-thirds of the outstanding Series D, Series G or Series H preference shares, as the case may be;
- in the event General Motors fails to pay accumulated preferential dividends on the Series D, Series G or Series H preference shares in full for any six quarterly dividend payment periods, whether or not consecutive, and all such dividends remain unpaid; and
- as required by law.

In the event of a preferential dividend default as described above, the number of directors of General Motors will be increased by two and the holders of the outstanding Series D, Series G or Series H preference shares, as the case may be, voting together as a class with all other series of preference stock ranking junior to or on a parity with such preference shares and then entitled to vote on the election of such directors, will be entitled to elect such two additional directors until the full dividends accumulated on all outstanding Series D, Series G or Series H preference shares, as the case may be, have been paid.

GM's Dual-Class Common Stock Capital Structure

GM has two classes of common stock:

- \$1 $\frac{2}{3}$ par value common stock; and
- Class H common stock.

GM's certificate of incorporation restricts the power of the GM board to declare and pay dividends on either class of common stock. The amounts which may be declared and paid by the GM board as dividends on common stock are allocated to each separate class of common stock and are subject to the amount legally available for the payment of dividends by GM. For dividend purposes, this allocation serves to preserve for each class of GM common stockholders an interest in retained earnings that is not shared by the other class. This restriction does not require a physical segregation of the assets of GM on the one hand and of Hughes on the other hand. Nor does it require separate accounts or separate dividend or liquidation preferences of GM and Hughes assets for

DESCRIPTION OF CLASS H COMMON STOCK

Introduction to the Class H Common Stock

We describe generally below the material terms of the Class H common stock. In addition to this description, we urge you to refer to Article Fourth of GM's Restated Certificate of Incorporation, as amended, which we sometimes refer to in this document as our "certificate of incorporation," which sets forth in full the terms of the Class H common stock. For information regarding how you can find a copy of the full terms of the Class H common stock, see "Where You Can Find More Information." For more information about our Class H common stock and how it differs from our \$1²/₃ par value common stock, see "Comparison of Rights of \$1²/₃ Par Value Stockholders and Class H Stockholders."

Class H common stock is a "tracking stock" designed to provide holders with financial returns based on the financial performance of Hughes. To further this objective:

- GM's certificate of incorporation allocates earnings of GM attributable to Hughes between amounts available for the payment of dividends on Class H common stock and amounts available for the payment of dividends on the \$1²/₃ par value common stock, which also permits a corresponding calculation of the earnings per share of GM attributable to the Class H common stock and the \$1²/₃ par value common stock; and
- the GM board adopts dividend policies and practices concerning the Class H common stock consistent with this design objective as more fully described below and at "Overview of GM Capital Stock."

GM is the issuer of the Class H common stock. The GM board is free at any time to change its dividend policies and practices concerning the Class H common stock or the \$1²/₃ par value common stock. See "Risk Factors—Risk Factors Relating to GM's Dual-Class Common Stock Capital Structure—GM Board Policies and Practices Relating to Class H Common Stock Can Be Adopted, Changed or Rescinded Without Stockholder Approval."

GM Certificate of Incorporation Provisions Regarding Dividends

Calculation of Amount Available for Dividends on Class H Common Stock

The financial performance of Hughes determines the earnings per share of Class H common stock and the portion of GM's earnings out of which dividends on the Class H common stock may be paid. In order to determine what amount is available to pay dividends on the Class H common stock, the following steps are taken:

- the net income of Hughes is determined for each quarterly accounting period;
- the net income of Hughes determined for each quarter is divided into amounts allocated to the Class H common stock and the \$1²/₃ par value common stock; and
- the amount allocated to the Class H common stock, which we sometimes refer to in this document as the "available separate consolidated net income of Hughes," is accumulated from quarter to quarter, together with any surplus attributable to shares of Class H common stock issued from time to time, and is reduced by the amount of any dividends actually paid on the Class H common stock.

GM Board's Discretion Regarding Payment of Dividends on Class H Common Stock

After the amount available to pay dividends on the Class H common stock is determined as provided above, the GM board may decide to pay or not pay dividends on the Class H common stock in its sole discretion. This discretion is subject to the following restrictions:

- The holders of GM preferred stock, if any, and GM preference stock, including the Series D, Series G and Series H preference shares, may have a higher priority claim on amounts that would otherwise be available to pay dividends on the Class H common stock, to the extent that dividends have been accumulated but not paid on GM's preferred or preference stock.

- Under Delaware law, GM can only pay dividends to the extent that it has surplus—the extent to which the fair market value of GM's net assets exceeds the amount of GM's capital—or the extent of GM's net profits for the then current and/or the preceding fiscal year.

Due to these restrictions, it is possible that, even though the net income of Hughes is sufficient to permit the payment of a dividend on the Class H common stock, payment of a dividend on the Class H common stock would not be permitted because of the requirements for the payment of dividends on GM preferred or preference stock or the Delaware law surplus restriction described above.

Any dividends declared or paid on each class of GM common stock from time to time will reduce the amount available for future payments of dividends on that class. The amount available for dividends on each class will also depend on any adjustments to GM's capital or surplus due to repurchases or issuances of shares of that class. In addition, as provided by Delaware law, the GM board may adjust for any reason it deems appropriate the amount of surplus, and therefore the amount available for dividends on each class. Delaware law also permits the board of directors to adjust in the exercise of its business judgment the total amount legally available for the payment of dividends to reflect a re-valuation of the corporation's assets and liabilities.

Within the constraints mentioned above, the GM board can determine, in its sole discretion, the timing of declarations and payments, and the amounts, of dividends on each class of GM common stock. The GM board may, in its sole discretion, declare dividends payable exclusively to the holders of \$1^{2/3} par value common stock, exclusively to the holders of Class H common stock, or to the holders of both classes in equal or unequal amounts. The GM board may make its decision notwithstanding the respective amounts of surplus available for dividends to each class, the voting and liquidation rights of each class, the amount of prior dividends declared on each class or any other factor. However, the maximum amount declared as dividends on either class of GM common stock cannot exceed the amount available for dividends on each class of common stock under the GM certificate of incorporation. See “—Dividend Policy.”

As of December 31, 1999, based on the stockholders' equity of GM reflected in its consolidated balance sheet and subject to the GM board's authority to make adjustments, the cumulative amount available for payment of dividends on GM common stock was about \$19.1 billion. Of this total amount, about \$13.7 billion was available for dividends on the \$1^{2/3} par value common stock and about \$5.4 billion was available for dividends on the Class H common stock. The effect of a fully-subscribed exchange offer on the foregoing allocation is described at “Capitalization of GM.”

You should note that, since the completion of the Hughes restructuring transactions in late 1997, although payment of dividends on the Class H common stock has been permitted, the GM board has not paid cash dividends on Class H common stock. Further, the GM board does not intend to pay dividends on Class H common stock in the foreseeable future.

Class H Dividend Base Adjustments

Under the GM certificate of incorporation, the GM board may adjust the denominator of the Class H fraction that determines the net income of Hughes attributable to the Class H common stock—that is, the Class H dividend base, from time to time as the GM board deems appropriate to reflect the following:

- subdivisions and combinations of the Class H common stock and stock dividends payable in shares of Class H common stock to holders of Class H common stock;
- the fair market value of contributions of cash or property by GM to Hughes, or of cash or property of GM to or for the benefit of employees of Hughes for employee benefit plans or arrangements of GM, Hughes or other GM subsidiaries;
- the contribution of shares of capital stock of GM to or for the benefit of employees of Hughes or its subsidiaries for benefit plans or arrangements of GM, Hughes or other GM subsidiaries;

- payments made by Hughes to GM of amounts applied to the repurchase by GM of shares of Class H common stock, so long as the GM board has approved the repurchase and GM applied the payment to the repurchase; and
- the repurchase by Hughes of shares of Class H common stock that are no longer outstanding, so long as the GM board approved the repurchase.

Detailed Calculation of Amount Available for Dividends on Class H Common Stock

General

In order to help you to understand GM's Class H common stock, we provide below a more detailed description of the method used to determine the amount of Hughes' earnings available for the payment of dividends on the Class H common stock—that is, the available separate consolidated net income of Hughes. The "available separate consolidated net income of Hughes" is the net income of Hughes, its subsidiaries and successors after December 17, 1997 on a consolidated basis, determined in accordance with generally accepted accounting principles, without giving effect to any adjustment which would result from accounting for the 1985 acquisition by GM of Hughes Aircraft Company, a predecessor of Hughes, using the purchase method of accounting and reduced by the amount of dividends accrued on the Series A preferred stock of Hughes (as an equivalent measure of the effect that GM's payment of dividends on the Series H preference shares would have if paid by Hughes), calculated for each quarterly accounting period and multiplied by a fraction, which we sometimes refer to in this document as the "Class H fraction."

The Class H fraction reflects the derivative or "tracking stock" interests of each of GM's classes of common stock in the earnings of Hughes for dividend purposes. We determine the Class H fraction in the following manner:

- The numerator of the Class H fraction is the weighted average number of shares of Class H common stock outstanding during any applicable accounting period.
- The denominator of the Class H fraction is the weighted average number of shares of Class H common stock during any applicable accounting period which, if issued and outstanding, would represent 100% of the tracking stock interest in the earnings of Hughes. Thus, this "notional" number represents the full tracking stock interest in Hughes. The denominator is also referred to in the GM certificate of incorporation as the "Class H dividend base."
 - The Class H dividend base was initially established by the GM board in connection with the 1985 acquisition of Hughes Aircraft Company and the initial issuance of Class H common stock. The Class H dividend base was determined by negotiation between GM and the seller of Hughes Aircraft Company based on the value of Hughes immediately after the acquisition and the amount of Class H common stock the seller was to receive in the transaction.
 - The Class H dividend base has since been adjusted by the GM board in accordance with the GM certificate of incorporation to reflect various events, including a stock split in 1988, contributions by GM of Class H common stock to Hughes from time to time for use in connection with employee benefit plans and Hughes' acquisitions of PRIMESTAR/Tempo Satellite and U.S. Satellite Broadcasting Company as described elsewhere in this document.
 - The Class H dividend base is subject to future adjustment, as described below, including upon the conversion of the Series H preference stock into shares of Class H common stock. See "Overview of GM Capital Stock—Preference Stock—Conversion." The Class H dividend base will not be adjusted in connection with either the exchange offer or the contributions to the employee benefit plans. See "—Illustrative Calculation of the Class H Fraction Following the Exchange Offer and the Contributions to the Employee Benefit Plans."
- All determinations of the available separate consolidated net income of Hughes are in the discretion of the GM board and are final and binding on all GM stockholders.

The currently outstanding shares of Class H common stock do not represent a 100% tracking stock interest in the earnings of Hughes because GM has not yet issued the full number of shares of Class H common stock which can be issued under GM's certificate of incorporation, as determined by the Class H dividend base.

For illustrative purposes, we have calculated the Class H fraction based on the number of shares of Class H common stock outstanding as of March 31, 2000. For this purpose, we have assumed the exercise of all options for Class H common stock that were outstanding on such date and the conversion, based on the closing trading price of Class H common stock on such date, of GM's Series H preference stock into Class H common stock on its mandatory conversion date in 2002. Based on the fraction as so calculated, about 38% of Hughes' earnings would have been allocable to the Class H common stock for purposes of determining earnings per share and amounts available for the payment of dividends. The remaining portion of Hughes' earnings, about 62%, would have been allocable to the \$1²/₃ par value common stock.

To the extent that GM issues more Class H common stock, including pursuant to the exchange offer and the contributions, the percentage of the earnings of Hughes allocated to the Class H common stock would increase and the remaining tracking stock interest in the earnings of Hughes that would be allocated to the \$1²/₃ par value common stock would proportionately decrease. This percentage will also be affected by any related adjustments to the Class H dividend base. At such time, if any, as GM has issued a number of shares of Class H common stock which causes the fraction to be equal to one, the holders of Class H common stock would have a 100% tracking stock interest in the earnings of Hughes and the holders of \$1²/₃ par value common stock would have no tracking stock interest in Hughes' earnings.

You may calculate the approximate earnings per share attributable to Class H common stock by dividing the quarterly earnings allocated to Class H common stock—that is, the available separate consolidated net income of Hughes, by the weighted average number of these shares outstanding during the quarter. The weighted average number of shares of Class H common stock outstanding is also the numerator of the fraction used to determine the available separate consolidated net income of Hughes. You may also calculate about the same amount by dividing the quarterly earnings—that is, net income, of Hughes used in computing the available separate consolidated net income of Hughes, by the Class H dividend base.

Illustrative Calculation of Class H Fraction Following the Exchange Offer and the Contributions to the Employee Benefit Plans

For illustrative purposes, based on the number of shares of Class H common stock outstanding as of March 31, 2000, the portion of Hughes' earnings allocable to the Class H common stock would have been about 38%, calculated as follows:

| | | |
|---|--------------------|-------|
| Number of shares of | | |
| <u>Class H common stock outstanding</u> | <u>180,851,251</u> | = 38% |
| Class H dividend base | 474,651,110 | |

For this purpose, we have assumed the exercise of all options for Class H common stock that were outstanding on such date and the conversion, based on the closing trading price of Class H common stock on such date, of GM's Series H preference stock into Class H common stock on its mandatory conversion date in 2002.

This exchange offer and the anticipated contributions to the employee benefit plans each will affect the Class H fraction, as described below:

- The exchange offer will affect the Class H fraction as follows: the numerator will be increased by about 92,012,781 the number of shares issued in the exchange offer, assuming that the exchange offer is fully subscribed.
- The contributions to the employee benefit plans will affect the fraction as follows: the numerator will be increased by 71,565,495, the number of shares to be contributed to the employee benefit plans as determined based on the closing trading price of Class H common stock on April 19, 2000, assuming that GM completes the contributions as anticipated.

However, in both cases, the Class H dividend base will remain the same number.

Exchange Offer. Assuming that the exchange offer is fully subscribed, the Class H fraction calculated as of March 31, 2000 as described above would change as illustrated below:

$$\frac{\text{Number of shares of Class H common stock outstanding}}{\text{Class H dividend base}} = \frac{180,851,251 + 92,012,781}{474,651,110} = 57\%$$

Thus, based on these assumptions and other assumptions described in this document, after this exchange offer, about 57% of Hughes' earnings would be allocated to the Class H common stock for earnings per share and dividend purposes. The balance, about 43%, would be allocated to the \$1 ²/₃ par value common stock.

Exchange Offer and the Contributions to the Employee Benefit Plans. Assuming that the exchange offer is fully subscribed and that GM completes the contributions to the employee benefit plans as anticipated, based on an estimate of the number of shares that would be contributed as determined by the closing trading price of Class H common stock on April 19, 2000, the Class H fraction calculated as of March 31, 2000 as described above would change as illustrated below:

$$\frac{\text{Number of shares of Class H common stock outstanding}}{\text{Class H dividend base}} = \frac{180,851,251 + 92,012,781 + 71,565,495}{474,651,110} = 73\%$$

Thus, based on these and other assumptions described in this document, after this exchange offer and the anticipated contributions to the employee benefit plans by GM, about 73% of Hughes' earnings would be allocated to the Class H common stock for earnings per share and dividend purposes. The balance, about 27%, would be allocated to the \$1 ²/₃ par value common stock.

These percentages are provided for illustrative purposes only. The actual percentages will not be known until the actual number of shares of Class H common stock issued in the exchange offer and the contributions have been determined. You should note that to the extent that the exchange offer is not fully subscribed or the contributions are not made as anticipated, the Class H fraction and other calculations described in this section will change.

Dividend Policy

GM's board of directors has adopted a policy statement which, among other things, provides that the GM board's quarterly dividend policy regarding the Class H common stock is to declare and pay quarterly dividends on the Class H common stock in an amount that will equal the product of the aggregate amount of each quarterly dividend GM receives as a stockholder of Hughes, if any, multiplied by the fraction used to determine the available separate consolidated net income of Hughes at the time the dividend is declared by Hughes. The policy statement expressly provides that GM will pay the quarterly dividend on the Class H common stock as soon as practicable after receipt of the corresponding dividend payment from Hughes. For the text of the GM board policy statement, see "Overview of GM Capital Stock—GM Board Policy Statement."

Delaware law and the GM certificate of incorporation do not require the GM board to declare dividends on any class of GM common stock. The declaration of any dividend on either class is a matter to be acted upon by the GM board upon the recommendation of GM management. If and to the extent the GM board chooses to declare dividends on either or both of the classes of GM common stock, neither Delaware law nor the GM certificate of incorporation requires any proportionate or other fixed relationship between the amount of the dividends declared on the different classes of common stock. The GM board reserves the right to reconsider from time to time its policies and practices regarding dividends on GM common stock and to increase or decrease the dividends paid on GM common stock. The GM board may reconsider such matters on the basis of GM's consolidated financial position, which includes liquidity and other factors, and, with regard to Class H common stock, the earnings and consolidated financial position of Hughes. You may find information regarding GM and

its consolidated financial performance, including management's discussion and analysis of financial condition and results of operations, in the documents incorporated into this document by reference.

Since the completion of the Hughes restructuring transactions in late 1997, GM has not paid dividends on the Class H common stock. Further, the GM board does not currently expect to pay dividends on the Class H common stock in the foreseeable future. Similarly, since that time, Hughes has not paid dividends to GM and does not intend to do so in the foreseeable future. We currently expect that the future earnings of Hughes will be retained for the development of the business of Hughes.

Voting Rights

GM's certificate of incorporation entitles holders of Class H common stock and \$1²/₃ par value common stock to a fixed number of votes per share on all matters submitted to GM's common stockholders for a vote. Except as described below, holders of Class H common stock vote together as a single class with the holders of \$1²/₃ par value common stock based on their respective voting rights described in the GM certificate of incorporation. The GM certificate of incorporation entitles each share of Class H common stock to 0.60 vote per share and each share of \$1²/₃ par value common stock to one vote per share. The number of votes for each share of Class H common stock and \$1²/₃ par value common stock is subject to adjustment as described below at "—Subdivision or Combination."

Class H common stock votes separately as a class only on any amendment to the GM certificate of incorporation which adversely affects the rights, powers or privileges of the Class H common stock or increases in the number of authorized shares of Class H common stock. Neither holders of Class H common stock nor holders of \$1²/₃ par value common stock vote, either as a separate class or together, on any adjustment of the Class H dividend base or any other determination made in the calculation of the available separate consolidated net income of Hughes.

Liquidation Rights

In the event of the liquidation, dissolution or winding up of the business of GM, whether voluntary or involuntary, GM's certificate of incorporation provides that, after the holders of GM preferred stock and GM preference stock receive their full preferential amounts, holders of Class H common stock and holders of \$1²/₃ par value common stock will receive the assets remaining for distribution to GM's stockholders on a per share basis in proportion to their respective per share liquidation units. Subject to adjustment as described below at "—Subdivision or Combination," each share of Class H common stock has liquidation units equal to its number of votes, that is, 0.60 liquidation unit, as described above at "—Voting Rights." Similarly, each share of \$1²/₃ par value common stock has one liquidation unit. Holders of the Class H common stock have no direct rights in the equity or assets of Hughes, but rather have rights in the equity and assets of GM, which include 100% of the stock of Hughes.

Subdivision or Combination

If General Motors subdivides or combines the outstanding shares of the \$1²/₃ par value common stock or the Class H common stock, GM will appropriately adjust the voting and liquidation rights of shares of Class H common stock relative to \$1²/₃ par value common stock. In the event that GM issues shares of Class H common stock as a dividend on shares of \$1²/₃ par value common stock, GM will adjust the liquidation rights of the applicable class of common stock so that the relative aggregate liquidation rights of each stockholder would not change as a result of the dividend.

Recapitalization and Certain Other Transactions

Under GM's certificate of incorporation, the GM board may recapitalize all outstanding shares of Class H common stock as shares of \$1²/₃ par value common stock at any time after December 31, 2002 in the sole discretion of the GM board or automatically, if at any time GM, in one transaction or a series of related

transactions, disposes of substantially all of the business of Hughes to a person, entity or group of which GM is not a majority owner. For purposes of the recapitalization provisions of GM's certificate of incorporation, substantially all of the business of Hughes means at least 80% of the business of Hughes, based on the fair market value of the assets, both tangible and intangible, of Hughes as of the time of the proposed transaction. No automatic recapitalization will occur on a disposition in connection with the dissolution, liquidation and winding up of GM and the distribution of the net assets of GM to GM's common stockholders.

In the event of any recapitalization, each holder of Class H common stock would be entitled to receive shares of \$1²/₃ par value common stock having a market value as of the date provided in GM's certificate of incorporation equal to 120% of the market value of the holder's Class H common stock. Notwithstanding this provision of GM's certificate of incorporation or the policy statement adopted by GM's board, the GM board may propose to GM's common stockholders for their approval one or more transactions on terms different than those provided by this provision or by the GM board policy statement. See "Risk Factors—Risk Factors Relating to GM's Dual-Class Common Stock Capital Structure—GM Board Policies and Practices Relating to Class H Common Stock Can Be Adopted, Changed or Rescinded Without Stockholder Approval" and "Overview of GM Capital Stock—GM Board Policy Statement."

GM would not issue any fractional shares of \$1²/₃ par value common stock in the recapitalization. Instead of fractional shares, a holder of Class H common stock would receive cash equal to the product of the fraction of a share of \$1²/₃ par value common stock which the holder would otherwise receive multiplied by the average market price per share of the \$1²/₃ par value common stock on the valuation date, determined as provided in GM's certificate of incorporation.

The GM board policy statement provides, among other things, that, subject to various exceptions, in the event that Hughes transfers any material assets to GM, the GM board shall declare and pay a dividend or make a distribution to holders of Class H common stock. In this event, these holders would receive a portion of the assets or cash or other assets having an equivalent fair value that is not less at the time of the transfer than the fraction used to determine the available separate consolidated net income of Hughes. The policy statement also provides that, subject to various exceptions, in the event that Hughes transfers any material assets to GM's stockholders, the portion of the assets transferred to the holders of Class H common stock will not be less at the time of the transfer than the fraction used to determine the available separate consolidated net income of Hughes.

The exceptions to the provisions above include an exception for any transfer for which Hughes receives fair compensation. However, the policy statement provides that GM will not acquire in one transaction or a series of transactions a significant portion—that is, more than 33%, of the business of Hughes for compensation without receiving the consent of the holders of a majority of the outstanding shares of Class H common stock, voting as a separate class, and \$1²/₃ par value common stock, voting as a separate class. See "Overview of GM Capital Stock—GM Board Policy Statement."

Stock Exchange Listing

Class H common stock is listed on the NYSE under the symbol "GMH." Application has been made to list on the NYSE the shares of Class H common stock offered pursuant to the exchange offer and such application has been granted, subject to official notice of issuance.

Transfer Agent and Registrar

Fleet National Bank currently serves as the stock transfer agent and registrar for the Class H common stock.

Direct Registration System

Class H common stock is registered in book-entry form through the direct registration system. Under this system, unless a Class H stockholder requests a physical stock certificate, ownership of Class H common stock is reflected in account statements periodically distributed to Class H stockholders by Fleet, GM's transfer agent, who holds the book-entry shares on behalf of Class H stockholders. However, any stockholder who wishes to receive a physical stock certificate evidencing his or her shares may at any time obtain a stock certificate at no charge by contacting GM's transfer agent.